



DEFENSE LOGISTICS AGENCY

AMERICA'S COMBAT LOGISTICS SUPPORT AGENCY



Direct Vendor Delivery (DVD) Destination Acceptance

June 2011



Overview

- DLA's expansion of WAWF interface functionality for destination acceptance Direct Vendor Deliveries (DVDs) has been problematic
 - Military Services legacy systems lack flexibility required for WAWF integration
 - Military Services uncomfortable performing acceptance for DLA issued contracts
 - 'Swivel chair' not a viable option
- DoD WAWF Tri Domain Working Group established
 - Initiated random sampling pilot
 - Directed DoD Components register an acceptor for all 'ship to' DoDAACs
- Formed WAWF Tri Domain Working Group projects
 - BTA initiated a Reengineering Business Process review
 - DLA initiated a R&D DVD Destination Acceptance project
 - LMI



R&D DVD Destination Acceptance Project

LMI Task

LMI Assumptions

- ✓ Conduct data analysis
- ✓ Complete comprehensive policy review and analysis
- ✓ Perform site visits
- ✓ Baseline WAWF transaction and acceptance processes and metrics
- ✓ Identify process and technology gaps
- ✓ Develop technical alternative solutions that include risk mitigation options, policy recommendations

- WAWF is a potential and workable solution if all customers embrace its use
- DLA's extensive use of fast pay for DVD shipments is a significant concern within DLA and Defense Acquisition and Procurement Policy (DPAP) office
- Receipt Acceptance is a significant internal control issue for DLA and within DoD



LMI Project Strategy

- Utilized EBS FY09 customer direct transactions
 - 8M Direct Vendor Delivery and Prime Vendor shipments (\$6B)
 - LMI excluded Medical, Subsistence, Energy, Clothing and Textile supply chains
 - Analyzed remaining supply chain data (2M transactions value \$2.7B)
 - Aviation, Land, Maritime, Construction and Equipment
- LMI selected the Material Receipt Acknowledgement (MRA) as resource to evaluate the 'as is' DVD/PV business process
 - DLA customers generated MRAs average is in 80 percentile for DVD/PVs
 - MRA is considered an electronic receipt for payment purposes
- LMI data analysts attempted a comparison of EBS/WAWF/EMALL data
 - LMI found correlating EBS, WAWF and EMALL data difficult, e.g., methodology to match contract /delivery order vs document number

Note: LMI found most DLA DVD contracts coded as Simplified Acquisition/Fast Pay



LMI Data Analysis Results

- DLA EBS DVD transaction data* segmented into 4 categories

Shipment Value Segment	Segment Value	Number of shipments within segment	Average Shipment Value
< \$3,000	\$301,256,640	810,203	\$372
≥ \$3,000 and < \$30,000	\$422,808,073	55,194	\$7,660
≥ \$30,000 and < \$100,000	\$190,901,940	3,622	\$52,706
≥ \$100,000	\$1,152	1,152	\$413,734
Total	\$1,391,588,128	870,171	\$1,599

- 99% of DVD shipments are under the value of \$30,000
- 93% of DVD shipments are under \$3,000
- 86% of DVD shipments are for commercial items
- 0.234% of DVD shipments with discrepancy reported

* Note: EBS DVD transaction data is defined as customer MRA's submitted in response to a DVD shipment



Technical Alternative Solutions

- LMI identified 5 alternative options with the associated costs

Alternative	Description	Implementation Costs (10 yr horizon)	Perceived Risk (DVD w/improper payment)
Restock Hardware Inventory at DLA Depot	Eliminates DVD shipments. Material shipped to DLA depot for storage and issue to customer	\$882M	6.3%
Vendor shipment to DLA depot for customer, i.e., Issue from Receiving	Vendor ships material to DLA receiving activity who receives and immediately issues material to the customer from receiving - material does not go into storage	\$328M	2.4%
WAWF Swivel Chair Acceptance	Requires DVD customer perform receipt and acceptance in two systems, their accountable system and WAWF	\$266M	1.9%
DCMA Source Acceptance	DCMA performs inspection and acceptance of DVD customer orders	\$204M (cost estimate inferred via similar receipt acceptance processes)	1.5%
Streamline DVD process (interim solution) statistical	Utilizes alternative documentation with statistical sampling	\$739K	0.1%



Internal Control Recommendations

Proposed Controls	Description/Rationale	Proposal
Purchase Value	The value level for micro-purchases (\$3K) allows for relaxed restrictions and balances the risk to the government with economic benefit. LMI did not find any cases in which DLA customers reported unauthorized expenditures	Establish payment procedures that allow vendor payment for DVD shipments without evidence of acceptance
Trusted Vendor Program	Relies on long-term trusted vendor relationships	Propose identifying trusted vendors certification criteria, i.e., use of periodic inspections and SDR results to measure performance. Certification criteria should include an audit SDR of statistics, contract vendor performance history for pre-approved suppliers, and use of certificate of conformance and/or POD to prove receipt acceptance
Logistics MRA	In FY09 84% of DVD requisitions were successfully acknowledged	Continue to utilize the MRA as an internal control mechanism to limit risk associated with DVD program
Statistical Sampling Audit	Conduct monthly audits to test adequacy of internal controls	The government should use the audit to validate for correct material, payment, qty, condition, delivery location, RDD and no delivery of cancelled requirement
Alternative Voucher Examination	GAO has authority to grant waiver approvals to Fast Pay procedures and is sensitive to the cost of performing	Request GAO approval via use of internal controls to verify FP invoices and receiving reports for high volume, low value



WAY AHEAD

- DLA provided copies of the LMI Direct Vendor Delivery Receipt Acceptance Report to OSD, DLA, BTA, DLMSO and DFAS
- Awaiting report review comments
- Electronic copy of LMI report available